



Kcell JSC Q4 and Full Year 2018 Financial results



Q4 and FY 2018 highlights



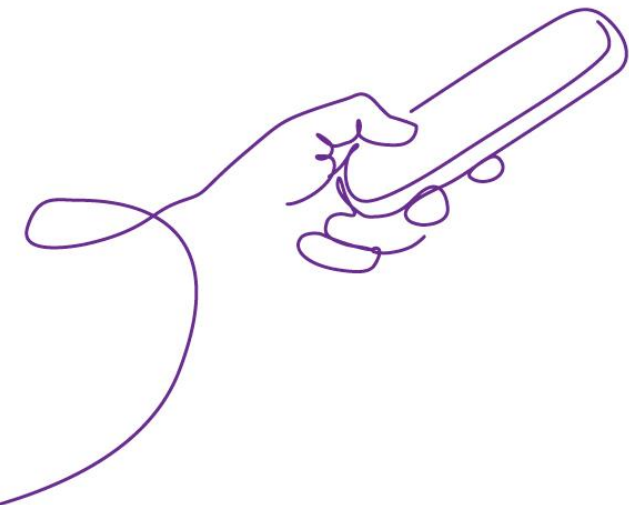
- Increase in net sales primarily driven by contract phone sales and solid performance in the enterprise segment
- Revised strategic priorities - moving from volume driven SIM distribution to value driven acquisition
- Strong progress in the 4G/LTE network rollout
- Change of the majority shareholder: Kazakhtelecom acquired the 75 percent stake that been held by Telia Company and Fintur B.V.
- In the process of preparing the consolidated financial statements for the year ended 31 December 2018 the management of the Company identified significant irregularities in the accounting methodology applied in the previously issued financial statements for the years ended 31 December 2017 and 31 December 2016 - no prior periods cash implications and underlying performance of the Company remains broadly unchanged

Company's priorities



- Set a positive trend in service revenue
- Further developing the contract phone business
- Retaining a leading position and revenue growth in the B2B segment
- Strengthening the Company's leadership position in terms of number of subscribers and revenue
- Optimising clear synergies with the majority shareholder, as well as gaining access to its technological resources and infrastructure
- Transparency and predictability of operating, financial and investment strategies
- Stable trends in profitability indicators
- Further strengthening the effective corporate culture and promoting best practice corporate governance

Q4 2018 summary



Net sales

KZT 38,254m
(38,212)

Increase of 0.1% year-on-year

B2B revenue

KZT 5,081m
(3,894)

Increase of 30.5% year-on-year

Net income

KZT 3,661m
(4,564)

Decrease of 19.8% year-on-year

Service revenue

KZT 33,469m
(34,559)

Decrease of 3.2% year-on-year

EBITDA*

KZT 14,301m
(15,503)

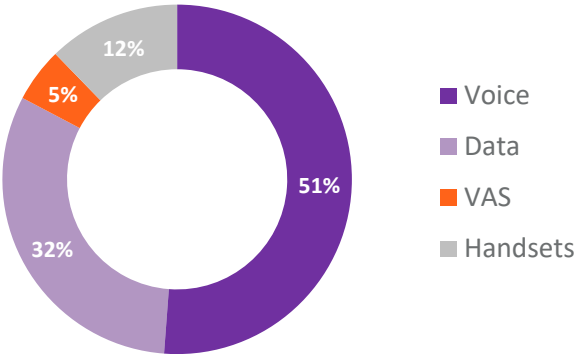
Decrease of 7.8% year-on-year
EBITDA margin of 37.4% (40.6)

Subscribers

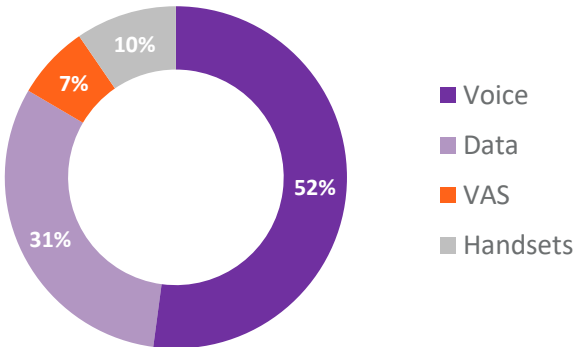
8,969 thousand
(9,234)

Decrease by 265,000 subscribers
quarter-on-quarter

Net sales breakdown Q4 2018

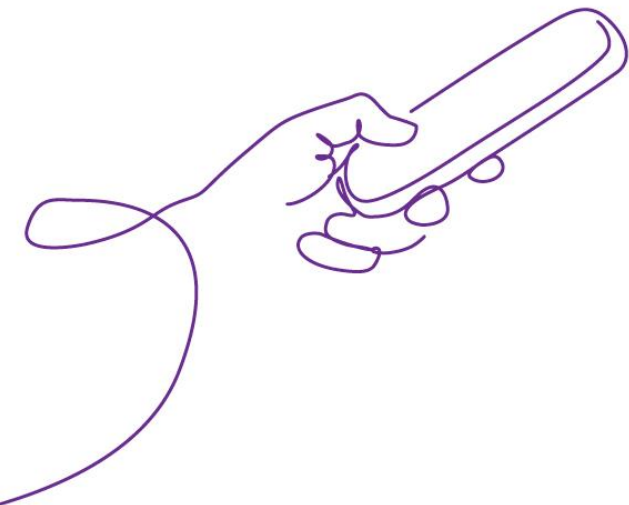


Net sales breakdown Q4 2017



2017 figures are restated
*excluding non-recurring items

FY 2018 summary



Net sales

KZT 149,701m
(147,475)

Increase of 1.5% year-on-year

B2B revenue

KZT 17,172m
(14,133)

Increase of 21.5% year-on-year

Net income

KZT 8,531m
(11,699)

Decrease of 27.1% year-on-year

Service revenue

KZT 131,373m
(135,407)

Decrease of 3.0% year-on-year

EBITDA*

KZT 50,943m
(55,560)

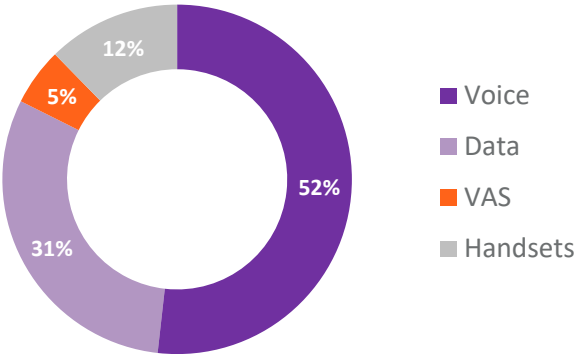
Decrease of 8.3% year-on-year
EBITDA margin of 34.0% (37.7)

Subscribers

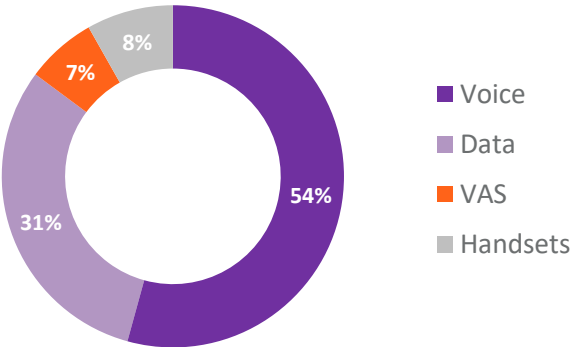
8,969 thousand
(10,009)

Decrease by 1,040 thousand subscribers year-on-year, driven by change in distribution strategy

Net sales breakdown FY 2018



Net sales breakdown FY 2017



2017 figures are restated
*excluding non-recurring items#

Commercial update



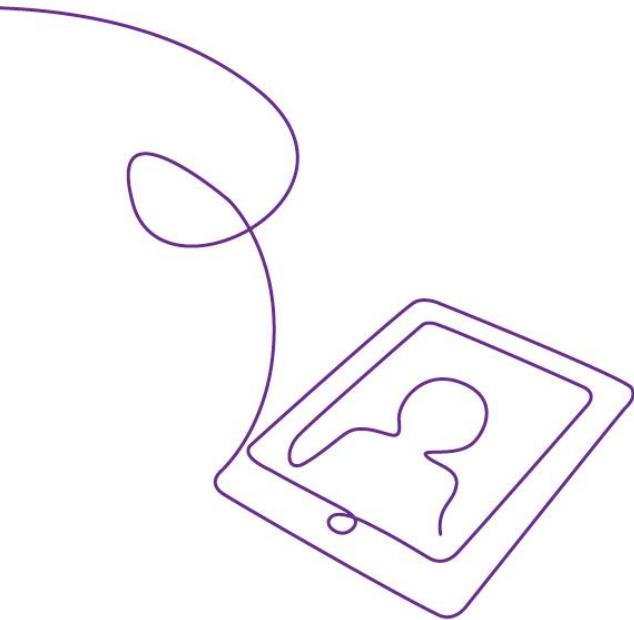
Service revenue is still under pressure:

- Increase of bundle penetration
- Optimisation of tariff mix (=ARPU increase)
- Change of charging logic (rules) in bundle environments
- Competitive offering
- Improvement of international interconnect balance following changes in MTR rates

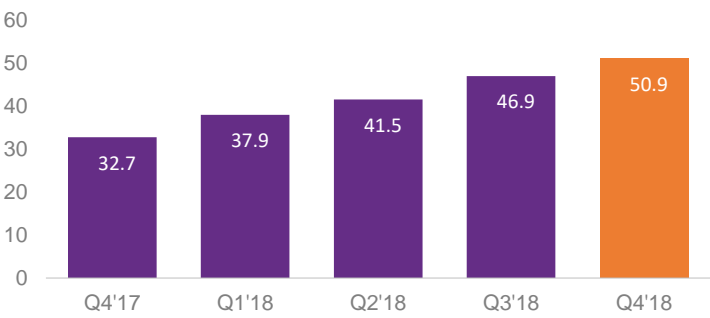
Focus areas in consumer segment:

- Implementation of the new acquisition strategy - “From Volume to Value”, and sales channels cost optimisation
- Further review of the Contract phones sales model, finding an optimal balance to minimise risk related to bad debt
- Brand and price perception
- Further development and execution of customer value management (CVM) activities

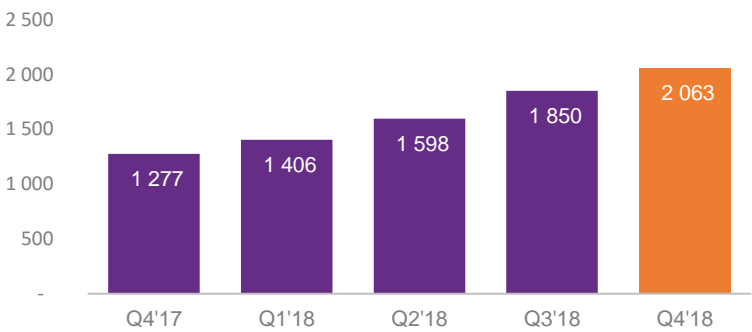
Commercial trends



4G device penetration %*



4G data users ('000)



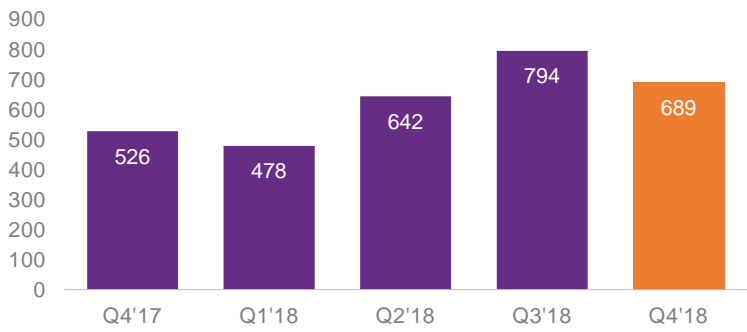
Bundled customers as share of total subs



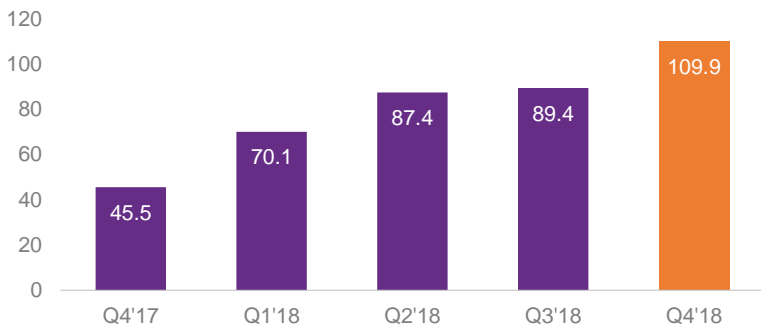
Bundled subs' share of revenue



OTT users ('000)

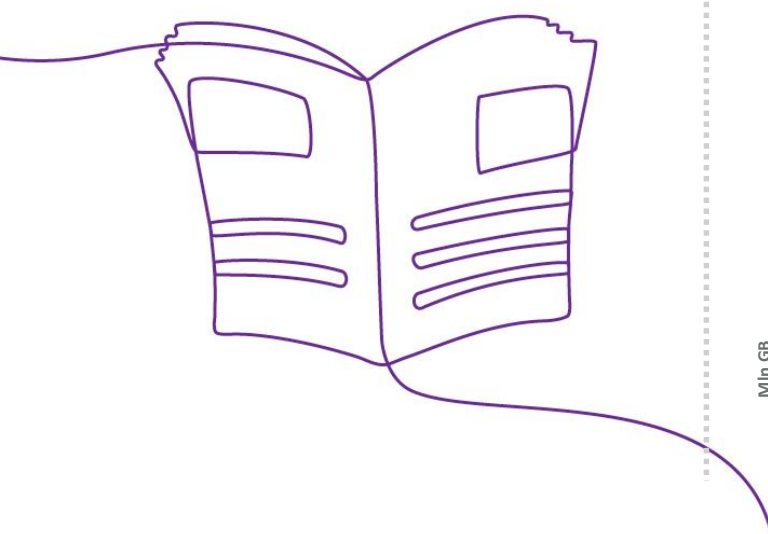


MFS users ('000)

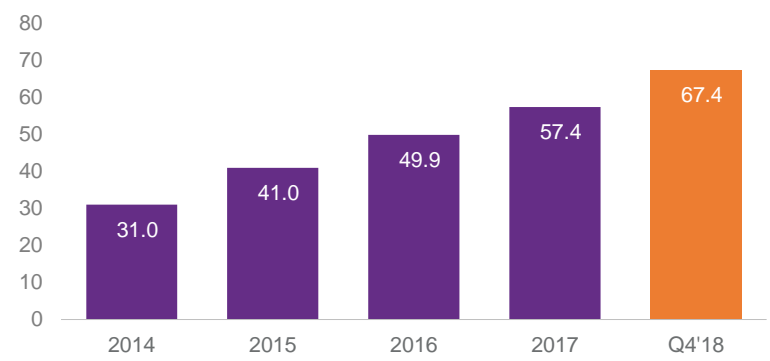


*in the Company's network

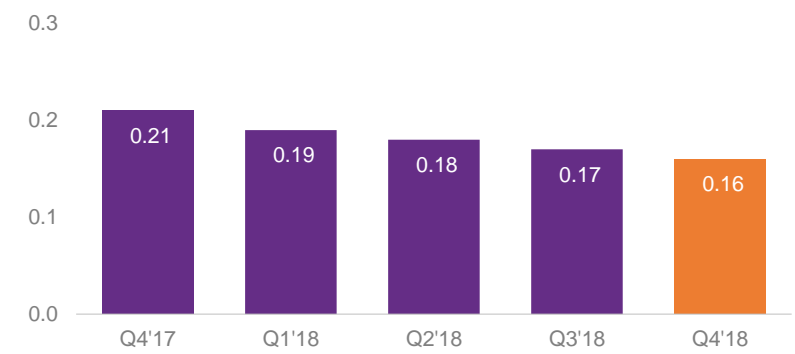
Data usage & revenues



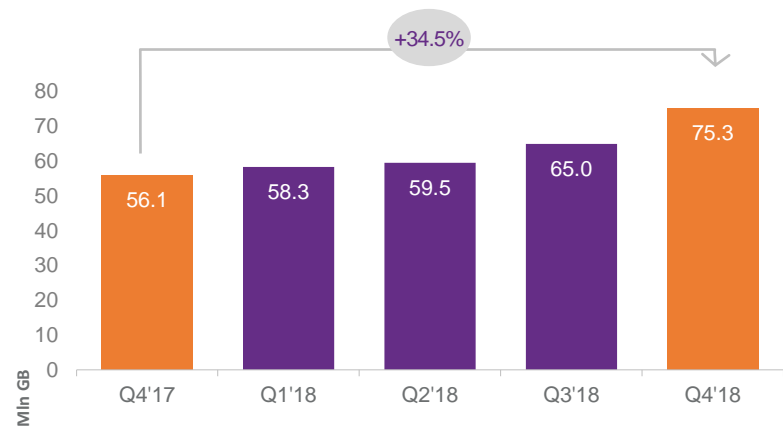
Smartphone penetration %



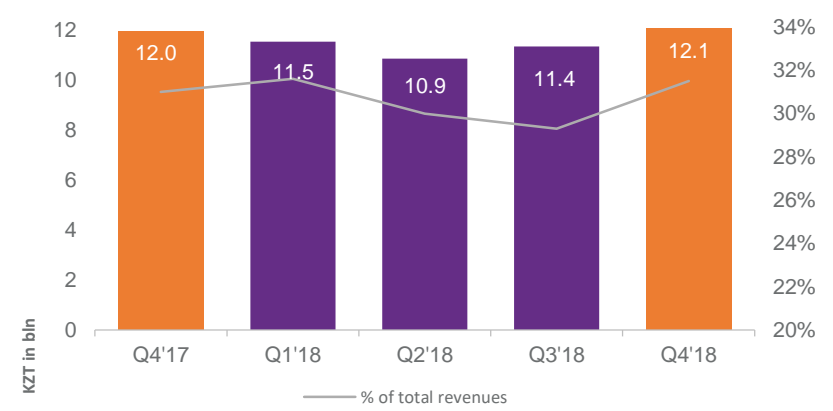
Average revenue per MB (KZT)



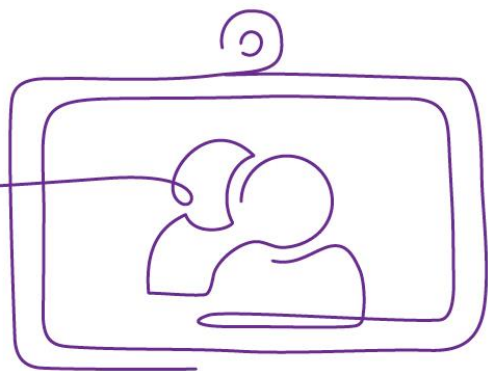
Data traffic



Data revenue



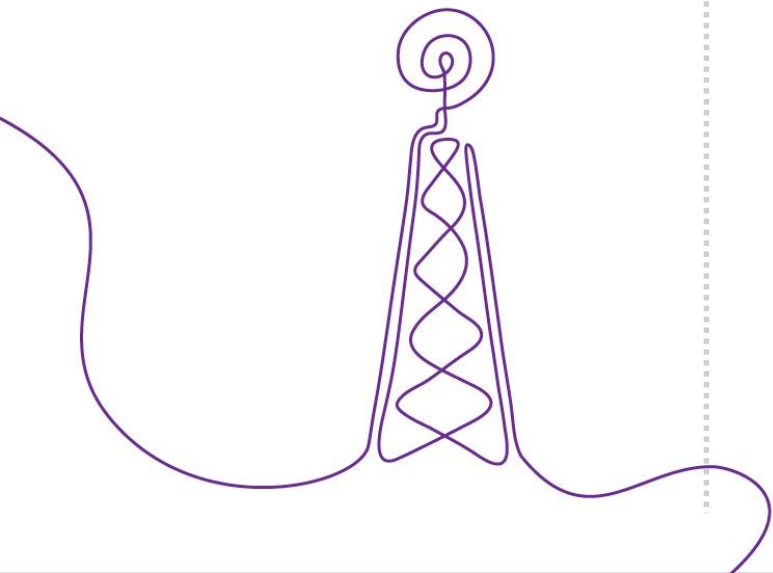
Financial highlights



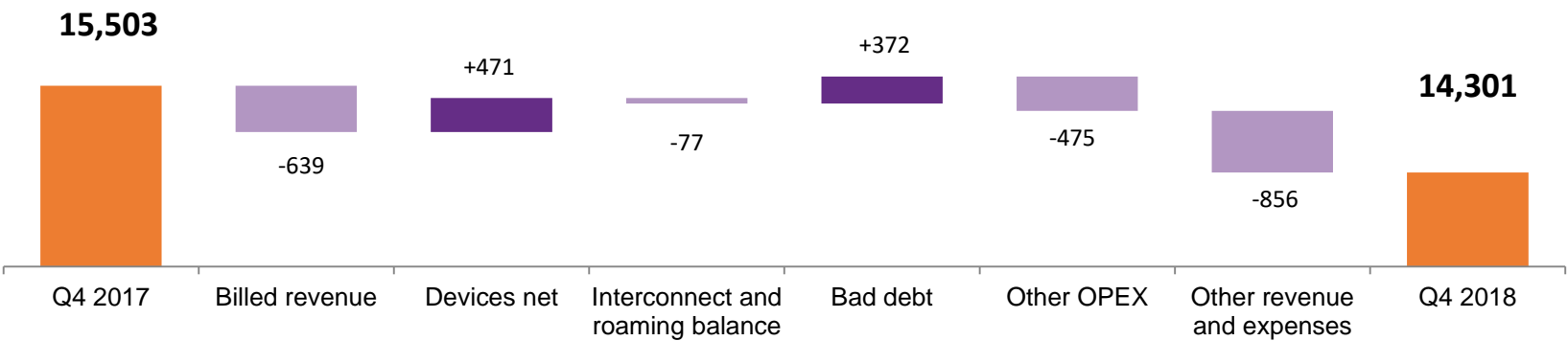
KZT in millions, except per share data, number of shares and changes	Q4 2018	Q4 2017*	Chg (%)	FY 2018	FY 2017*	Chg (%)
Net Sales	38,254	38,212	0.1	149,701	147,475	1.5
of which service revenue	33,469	34,559	-3.2	131,373	135,407	-3.0
EBITDA excluding non-recurring items	14,301	15,503	-7.8	50,943	55,560	-8.3
EBITDA margin (%)	37.4	40.6		34.0	37.7	
Operating income	6,975	9,408	-25.9	21,055	29,741	-29.2
Operating income excluding non-recurring items	7,289	9,408	-22.5	24,311	32,414	-25.0
Net income	3,661	4,564	-19.8	8,531	11,699	-27.1
Earnings per share (KZT)	18.3	22.8	-19.8	42.7	58.5	-27.1
CAPEX to sales (%)	16.5	21.1		12.9	14.7	
Free cash flow	4,216	2,710	55.6	8,319	10,899	-23.7

*2017 figures are restated

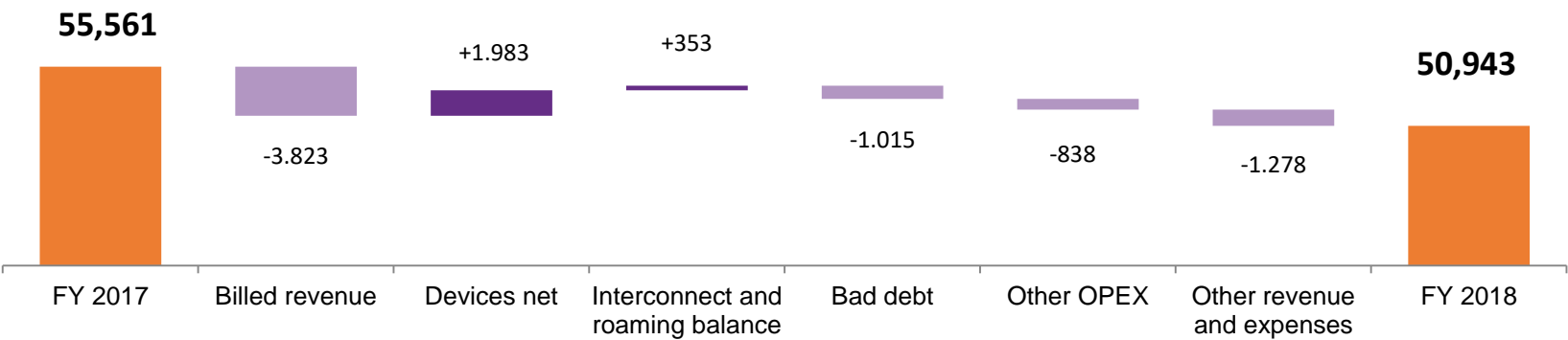
EBITDA*



Q4 2018



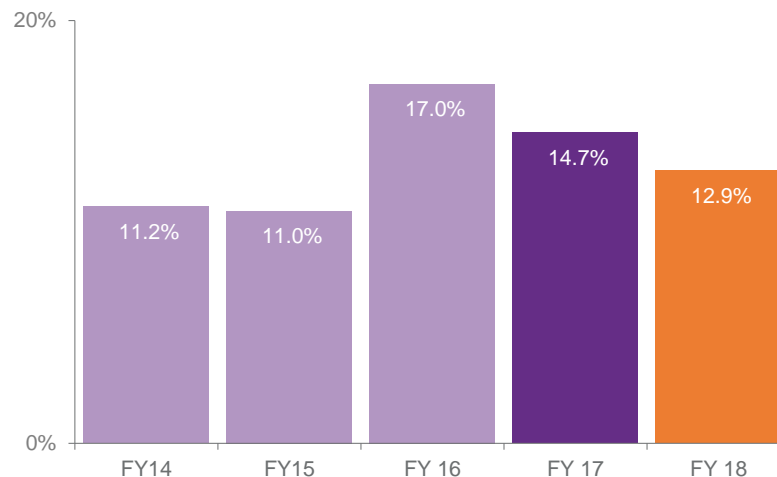
FY 2018



*excluding non-recurring items

CAPEX

CAPEX-to-sales ratio



- ✓ Improvements in LTE network capacity
- ✓ 3rd LTE layer rolled out in Aktau, Atyrau and Almaty cities
- ✓ Total data traffic increased by 34%**
- ✓ LTE data traffic increased by 114%**

*2016 excludes KZT 26,000 million for LTE frequencies

**Year-on-year comparison – 2018 vs. 2017

LTE traffic

60%

of total traffic data

LTE population coverage

61.9%

3G population coverage

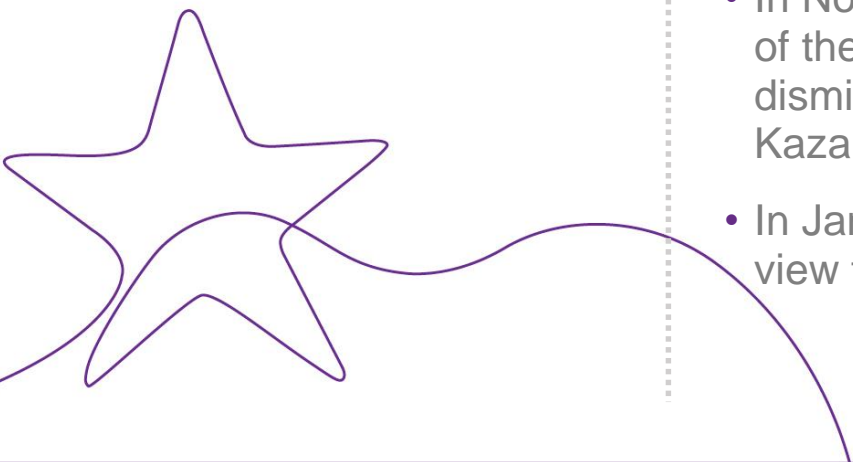
79.8%

YTD investments (KZT mln)

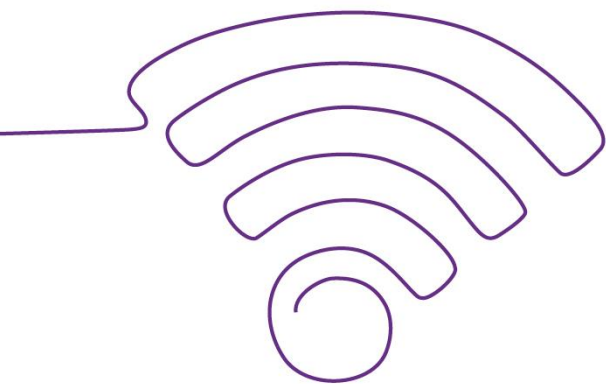
19,240

Tax audit

- In July 2017, the Kazakhstan tax authority completed its complex tax audit for the period 2012-2015. Following the audit, the tax authority made a total claim of KZT 9.0 billion.
- In January 2018, Kcell disputed the Notification of the tax authority in the First Instance Court and the Kcell appeal was dismissed. In June 2018, the Court of Appeal reviewed the appeal claim and left the unfavorable ruling of the First Instance Court in force. Although the decision is binding, Kcell reserved the right to further appeal it in the Supreme Court.
- In the fourth quarter of 2016 and in the second quarter of 2017, the Company made tax provisions of KZT 4.0 billion and KZT 2.8 billion, respectively. In the second quarter of 2018, the Company has made another tax provision of KZT 1.4 billion. During the third quarter, the Company made a provision for the remaining KZT 0.8 billion.
- In November 2018, the Company filed a petition to the cassation instance of the Supreme Court of Almaty. In December 2018, the petition was dismissed by the Resolution of the Supreme Court of the Republic of Kazakhstan.
- In January 2019, Kcell appealed to Chairman of the Supreme Court with a view to re-appeal to the cassation instance of the Supreme Court.

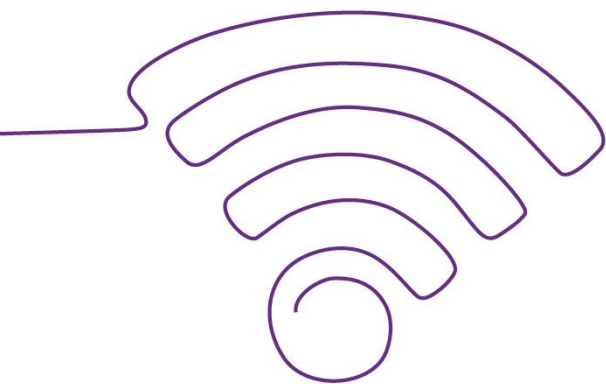


Administrative and legal update



- In October 2018, the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer Rights of the Ministry of National Economy of the Republic of Kazakhstan (“Committee”) initiated administrative proceedings against Kcell for an alleged administrative violation related to the abuse of its dominant position in 2017. The potential fine, which can be imposed by the court, constitutes approximately KZT 2 billion.
- According to the Committee, the violation resulted in the establishment of different prices for Kcell’s mobile Internet access service with a data allowance, when the data allowance was exceeded or the monthly subscription fee was not timely paid.
- The Conclusion on the results of investigation was approved by the Order of Committee dated 18 October 2018. The Committee also issued the Prescription on the elimination of violation for the Company ordering, inter alia, to return to Kcell brand subscribers all fees charged in 2017 when the monthly data allowance was exceeded and when the monthly subscription fee for mobile Internet access services had not been paid.
- On 25 October 2018, Kcell filed an appeal against these decisions in the Specialised Interdistrict Economic Court of Astana.

Administrative and legal update



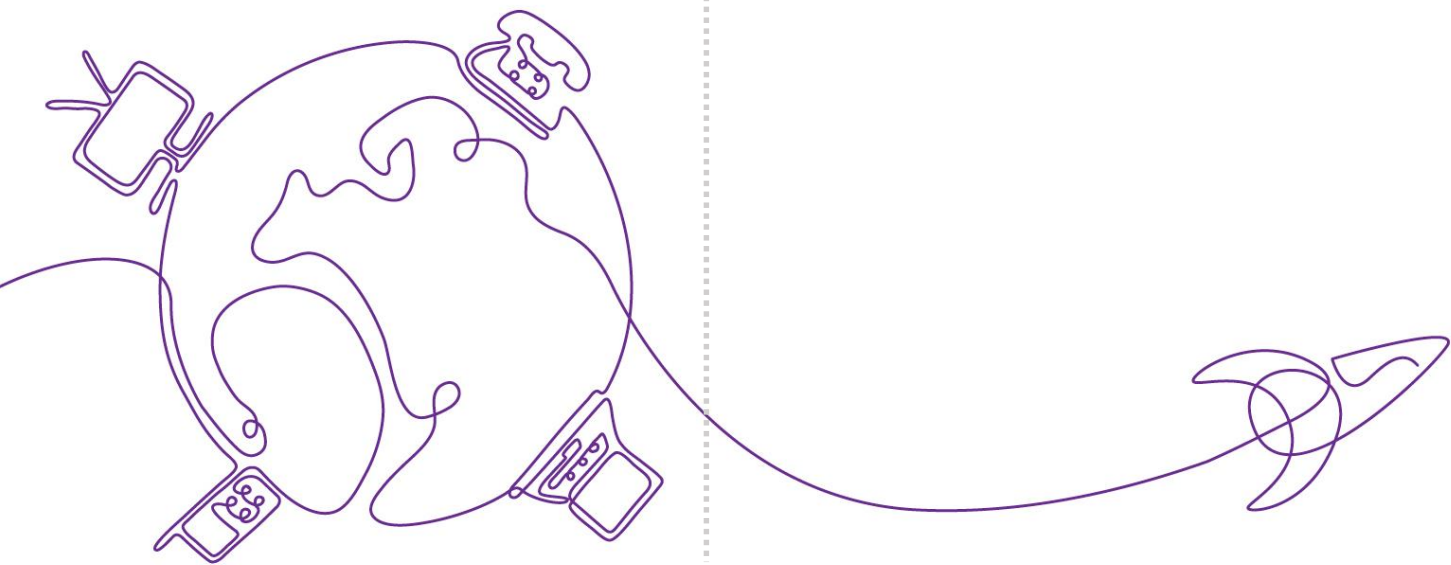
- On 6 November 2018, the Specialised Interdistrict Administrative Court of Almaty ruled to postpone the consideration of the Administrative Offense until such consideration of the civil case is finalised.
- On 29 November 2018, the Astana City Specialised Interdistrict Economic Court ruled to terminate the consideration of this case. This ruling was appealed by Kcell.
- On 23 January 2019, the Astana City Court upheld the ruling of the Astana City Specialised Interdistrict Economic Court. Kcell appealed this ruling in the Supreme Court of Republic of Kazakhstan.
- On 25 February 2019, the Company challenged the Conclusion on the results of investigation to the Specialised Interdistrict Economic Court of Astana.
- On 26 February 2019, following its suspension, the administrative case was resumed. However, it was suspended again to consider a civil case regarding the appeal of the Conclusion on the results of investigation.

Q&A



Financial key ratios

	31 Dec 2018	31 Dec 2017
Return on equity* %	12.5	16.6
Return on capital employed* %	14.3	22.9
Equity/assets ratio %	40.7	39.4
Net debt/equity ratio %	89.2	81.9
Net debt/EBITDA* rate %	1.27	1.09



Forward looking statement

Statements made in this document relating to future status or circumstances, including future performance and other trend projections are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of Kcell.

